

ASSEMBLY BILL

No. 995

Introduced by Assembly Member Canciamilla

February 22, 2005

An act to add and repeal Sections 17053.58 and 23658 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 995, as introduced, Canciamilla. Taxation: small business health insurance: credit.

The Personal Income Tax Law and the Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill would authorize a credit against those taxes for each taxable year beginning on or after January 1, 2006, and before January 1, 2011, in an amount equal to 50% of the amount paid or incurred during the taxable year for qualified employee health insurance expenses, as defined, by a qualified small employer, as defined.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17053.58 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17053.58. (a) For each taxable year beginning on or after
- 4 January 1, 2006, and before January 1, 2011, there shall be
- 5 allowed as a credit against the "net tax," as defined in Section
- 6 17039, an amount equal to 50 percent of the amount paid or

1 incurred during the taxable year for qualified employee health
2 insurance expenses by a qualified small employer.

3 (b) For purposes of this section, the following terms have the
4 following meanings:

5 (1) “Qualified small employer” means an employer that meets
6 both of the following conditions:

7 (A) The employer provides eligibility for health insurance
8 coverage after any waiting period, as defined in Section
9 9801(b)(4) of the Internal Revenue Code, to all of its employees.

10 (B) The employer employed an average of not fewer than two,
11 and not more than 100 employees in the state per business day
12 during the entirety of either of the two calendar years that
13 immediately preceded the taxable year in which the qualified
14 employee health insurance expenses were paid or incurred. If the
15 employer was not in existence during the entirety of the calendar
16 year that immediately preceded the taxable year in which the
17 qualified employee health insurance expenses were paid or
18 incurred, the employer reasonably expects to employ an average
19 of not fewer than two, and not more than 100 employees in the
20 state per business day during the entirety of the current calendar
21 year.

22 (2) “Qualified employee health insurance expenses” means the
23 amount paid or incurred by a qualified small employer for health
24 insurance coverage for its employees, but does not include any
25 amount so paid or incurred pursuant to a salary-reduction
26 arrangement between the employer and employee.

27 (c) The maximum credit that may be claimed by any taxpayer
28 in any taxable year under subdivision (a) is ten thousand dollars
29 (\$10,000).

30 (d) In the case where the credit allowed by this section
31 exceeds the “net tax,” the excess may be carried over to reduce
32 the “net tax” in succeeding years, if necessary, until the credit is
33 exhausted.

34 (e) No other credit or deduction shall be allowed under other
35 provisions of this part for qualified employee health insurance
36 expenses for which a credit is taken under this section.

37 (f) This section shall remain in effect only until January 1,
38 2012, and as of that date is repealed.

39 SEC. 2. Section 23658 is added to the Revenue and Taxation
40 Code, to read:

1 23658. (a) For each taxable year beginning on or after
2 January 1, 2006, and before January 1, 2011, there shall be
3 allowed as a credit against the “tax,” as defined in Section 23036,
4 an amount equal to 50 percent of the amount paid or incurred
5 during the taxable year for qualified employee health insurance
6 expenses by a qualified small employer.

7 (b) For purposes of this section, the following terms have the
8 following meanings:

9 (1) “Qualified small employer” means an employer that meets
10 both of the following conditions:

11 (A) The employer provides eligibility for health insurance
12 coverage after any waiting period, as defined in Section
13 9801(b)(4) of the Internal Revenue Code, to all of its employees.

14 (B) The employer employed an average of not fewer than two,
15 and not more than 100 employees in the state per business day
16 during the entirety of either of the two calendar years that
17 immediately preceded the taxable year in which the qualified
18 employee health insurance expenses were paid or incurred. If the
19 employer was not in existence during the entirety of the calendar
20 year that immediately preceded the taxable year in which the
21 qualified employee health insurance expenses were paid or
22 incurred, the employer reasonably expects to employ an average
23 of not fewer than two, and not more than 100 employees in the
24 state per business day during the entirety of the current calendar
25 year.

26 (2) “Qualified employee health insurance expenses” means the
27 amount paid or incurred by a qualified small employer for health
28 insurance coverage for its employees, but does not include any
29 amount so paid or incurred pursuant to a salary–reduction
30 arrangement between the employer and employee.

31 (c) The maximum credit that may be claimed by any taxpayer
32 in any taxable year under subdivision (a) is ten thousand dollars
33 (\$10,000).

34 (d) In the case where the credit allowed by this section
35 exceeds the “tax,” the excess may be carried over to reduce the
36 “tax” in succeeding years, if necessary, until the credit is
37 exhausted.

38 (e) No other credit or deduction shall be allowed under other
39 provisions of this part for qualified employee health insurance
40 expenses for which a credit is taken under this section.

- 1 (f) This section shall remain in effect only until January 1,
- 2 2012, and as of that date is repealed.
- 3 SEC. 3. This act provides for a tax levy within the meaning of
- 4 Article IV of the Constitution and shall go into immediate effect.